



**Capital Power**  
**Q2 2025 Results Conference Call**  
**July 30, 2025**

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**Corporate Participants:**

**Roy Arthur**

Vice President Strategic Planning and  
Investor Relations

**Avik Dey**

President and Chief Executive Officer

**Sandra Haskins**

Senior Vice President, Finance and  
Chief Financial Officer

**Participants:**

**Robert Hope**

Scotiabank

**Tanner James**

Jefferies

**Mark Jarvi**

CIBC

**Maurice Choy**

RBC Capital Markets

**Patrick Kenny**

National Bank Financial

**John Miller**

TD Cowen

**Benjamin Pham**

BMO Capital Markets

**Operator**

Thank you for standing by. And  
welcome to the Capital Power  
Corporation's Second Quarter 2025  
Analyst Conference Call.

(Operator Instructions)

Please note that today's conference  
may be recorded.

I will now hand the conference over to  
your speaker host, Roy Arthur, Vice  
President, Strategy Planning and  
Investor Relations.

Please go ahead, sir.

**Roy Arthur**

Good morning, everyone. My name is  
Roy Arthur, Vice President, Strategy,  
Planning and Investor Relations. Thank  
you for joining us to review Capital  
Power's second quarter 2025 results  
which we published earlier today.

Our second quarter report and  
presentation for this conference call are  
available on our website. During today's  
call our President and CEO, Avik Dey,  
will provide an update on our business.

Following that, Sandra Haskins, SVP,  
Finance and CFO, will review the  
quarter end and year-to-date financials  
for the company in addition to our  
revised guidance for 2025. Avik will then  
conclude the formal part of the  
presentation before we open the floor to  
questions from analysts and our  
interactive Q&A.

Before we start, I would like to remind  
everyone that certain statements about  
future events made on the call are  
forward-looking in nature and are based  
on certain assumptions and analysis  
made by the company. Actual results  
could differ materially from the  
company's expectations due to material  
risks and uncertainties associated with  
our business.

Please refer to the cautionary statement  
on forward-looking information on Slide  
3 or our regulatory filings available on  
SEDAR Plus.

In today's discussion, we will be  
referring to various non-GAAP financial

measures and ratios also noted on Slide 3. These measures are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP and therefore are unlikely to be comparable to similar measures used by other enterprises.

These measures are provided to complement the GAAP measures, which are provided in the analysis of the company's financial results from management's perspective. Reconciliations of these non-GAAP financial measures to their nearest GAAP measures can be found in our quarterly financial statements.

We acknowledge that Capital Power's head office in Edmonton is located within the traditional and contemporary home of many Indigenous Peoples of Treaty 6 Region and the Métis Nation of Alberta Region 4, we acknowledge the diverse Indigenous communities that are in these areas whose presence continues to enrich the community and our lives as we learn about the Indigenous history of the land in which we live and work.

With that, I will hand it over to Avik.

### **Avik Dey**

Thank you, Roy. Good morning, everyone and thank you for joining us today.

In the second quarter of 2025, we announced and closed our largest acquisition to date, adding 2.2 gigawatts of capacity. This transaction is part of a significant transformation of our business over the past three years, which we will explore in more detail throughout the presentation. Key highlights from Q2 2025 include reaching commercial operation on our Goreway uprate project with an extended contract term to 2035 progressing growth projects totaling

approximately 610 megawatts of capacity, delivering nine terawatt hours of power across our strategically positioned portfolio including contributions from our newly acquired PJM assets.

And lastly, continuing to deliver operational excellence by optimizing and maintaining our assets, completing 62% of our scheduled outage days for the year. This includes 18 planned turnarounds, 14 on our flexible generation assets and 4 on our renewable fleet.

In summary, we continue to make tangible progress in delivering on our strategy. None of this would be possible without the enormous contribution of our people from our exceptional operational staff to our corporate services team and everyone in between.

Capital Power is truly a leading North American independent power producer of scale. Our recent transformation has created a more resilient, diversified and growth-oriented business. anchored by one of the most efficient gas fleets in North America. This, combined with our ability to operate, expand and optimize safely, efficiently and economically, continues to set us apart from our peers.

We now have operations across five core markets, which means our portfolio is less exposed to the volatility of any single market, enhancing the stability of our cash flows and reinforcing our investment-grade credit rating.

During the past three years, we've maintained our track record of delivering compelling risk-adjusted returns and are better positioned than ever to grow and create long-term shareholder value. Between 2022 and 2025 we have delivered impressive growth in our U.S. flexible generation portfolio, positioning us as one of the top five natural gas

independent power producers in North America.

We've expanded our flexible generation asset base by approximately 5 gigawatts and now have over 10 gigawatts of flexible generation capacity in Canada and the U.S. Our growth has largely been through M&A and concentrated in core markets with strong fundamentals. We continue to see opportunities to acquire generation capacity for significantly less cost than new builds.

As a result of our significant growth and entry into new markets, we now have 12 gigawatts of total capacity with no single market representing more than 30% of our portfolio. In each of our core markets, we continue to see strong fundamentals. Growing demand has outpaced additions of new supply driving increased capacity and energy prices in regions such as PJM and MISO and continued growth demand in Ontario has resulted in more calls for power. Across our portfolio, re-contracting continues to be a strong priority for our business.

As we strive to maximize the value of the existing generation, current fundamentals give us confidence in the ability to recontract at compelling prices for longer duration than we have seen in the past. We are engaged in multiple negotiations to extend our current contracts given the growing need for reliable and affordable power across North America.

In PJM, where we have recently added 2.2 gigawatts of generation, there is strength in both capacity and energy pricing. Capacity payments typically represent about a third of the total gross margin from our PJM business, with the remainder coming from energy sales. PJM is the most liquid power trading market globally, an important factor for

maximizing value for an organization like ours. This liquidity means access to a broad, high-quality set of counterparties and enables us to transact across a wide range of durations in this rising price environment.

Since closing the acquisition, we've moved quickly to implement significant hedges and other contracts covering the balance of 2025 and beyond. We've executed these at pricing levels aligned with our business case and at a pace far exceeding what would be possible in Alberta. The benefits of a diversified portfolio are especially clear when we examine single variable sensitivity to energy price changes in our merchant markets.

For example, if we were fully unhedged a \$5 per megawatt hour change in PJM prices would result in a 4% to 5% change in full year adjusted EBITDA. In contrast, the same price movement in Alberta would have a smaller impact approximately 3% to 4% going forward. This is a significant move down from approximately 7% to 8% in 2023.

Our other merchant markets in the U.S. are smaller and contribute even less to overall volatility. So despite having greater merchant capacity in the portfolio, we expect reduced volatility of our cash flows.

We have already taken steps and will continue to do so to actively manage risk through hedging in both Alberta and PJM. Our Genesee repowering project is an excellent example of how our growth efforts have contributed to our superior portfolio positioning.

Since 2023, Alberta pool pricing has declined by approximately 70%. Despite this decline, our 2025 year-to-date clean spark spreads at Genesee one and two have increased through a combination

of improved efficiency, lower carbon intensity and hedging. Our repowered units are now the most efficient in Canada.

We've also reduced their carbon intensity below the Alberta tier benchmark threshold, which means we currently pay no carbon tax on these units. Finally, we continue to actively hedge power pricing and input costs to stabilize returns.

Overall, through our resilient asset base, Alberta remains a market where we can harvest returns in the short and long term. This includes data center opportunities. Genesee is well positioned to benefit from any data center demand that comes to the province.

That said, we continue to believe it represents one of the most compelling sites in North America for a gigawatt scale data center to be co-located. It offers a comprehensive solution that balances affordability, and reliability concerns and allows for a gigawatt scale data center to move forward in a timely fashion, which is critical in the market today.

Under ASO's large load interconnection process, a 1-gigawatt project is not viable under Phase I. However we will continue to pursue the 1-gigawatt scale option through Phase II and further consultation with government.

In addition, we chose not to pursue a smaller project at Genesee. However we will pursue opportunities to provide PPAs to other DC projects that require a generation partner with available dispatchable power today.

The Genesee repowering project, which moved us off coal and our accretive acquisitions have reinforced our strong asset positioning relative to industry

peers. We operate a younger, more efficient fleet and important advantage in merchant markets where higher efficiency translates into stronger returns across the cycle. Further, the younger age of our assets implies a longer remaining useful life, which enhances our competitiveness for long-term contracting opportunities. These contracts are key to driving both improved returns and greater stability of our cash flows.

With that, I will hand it over to Sandra to walk through our funding considerations and financial results before I conclude the call and open the floor to questions.

### **Sandra Haskins**

Thanks, Avik. We are proud of our growth and how we have funded it.

Our approach has been balanced and based on our ability to access multiple pools of low-cost capital. Most recently, we proudly executed our inaugural U.S. debt issuance on the back of getting our third investment grade credit rating from Fitch at BBB-.

This \$1.2 billion private offering was multiple times oversubscribed for both the 3-year and 10-year tranches. Our debt maturity profile continues to be well laddered, which reduces refinancing risk in any given year. From an equity perspective, we have been highly successful in accessing discrete common equity.

Our ability to deliver sustainable growing dividends while maintaining a low-risk capital structure and investing in high-quality growth sets us apart from our IPP peers. Reflecting on our recent efforts, we're proud to have completed and achieved commercial operation of our largest growth project, closed the largest acquisition in our history and expanded into a new U.S. market, increased our dividend by 6%, all while

remaining within our guardrails from a payout and leverage perspective. These achievements underscore our strong positioning for continued growth.

Now let's dive into our Q2 2025 results. Capital Power delivered strong financial and operational performance. Adjusted EBITDA was \$322 million, which was flat year-over-year, driven by the diversification of our U.S. flexible generation contributions offset by the sell-down of PDN and quality wind in Q4 2024 and lower renewable resource in 2025. AFFO reached \$235 million, up \$57 million from Q2 2024 driven by lower income tax, reduced sustaining capital and settlement of coal compensation.

These gains were partially offset by higher financing costs from recent debt issuances and lower joint venture contributions. Overall, the quarter reflects our ability to execute our strategic priorities and made macroeconomic uncertainty. This slide breaks down adjusted EBITDA variance across our four new reporting segments.

Our U.S. flexible generation is up 10% in Q2 2025, driven by partial contributions from PJM assets and strong dispatch performance. Our Canadian flexible generation is up 2%, supported by strong Alberta dispatch and lower emissions costs. Repowered Genesee units, which incurred minimal carbon tax enabled margin expansion despite a \$5 per megawatt hour drop in captured price. And finally, our renewables portfolio continues to contribute meaningfully so adjusted EBITDA declined year-over-year due to lower wind resource in Canada and the U.S. The values in this table are fully consolidated for comparability purposes with prior periods.

For the first half of 2025, adjusted EBITDA was \$689 million, up \$77

million from the same period in 2024. Key drivers included stronger contributions from our U.S. flexible generation portfolio reflecting full period results from La Paloma and Harquahala which closed February 2024 and the addition of Hummel Station and Rolling Hills, which closed June 2025. Lower emissions costs from our Canadian flexible generation portfolio driven by the Genesee repowering and reduced corporate expenses, primarily driven by lower salary costs.

AFFO totaled \$454 million, up \$126 million year-over-year, driven by the same factors noted in the Q2 variance. Most notably, tax recovery, lower sustaining capital and coal compensation settlement, partially offset by higher financing costs. Due to the addition of Hummel and Rolling Hills to our portfolio, we have updated our 2025 full year guidance. The revised adjusted EBITDA range is now projected to be between \$1.5 billion and \$1.65 billion, reflecting nearly seven months of contributions from the newly acquired PJM assets. The range continues to be supported by our strong long-term contracts and prudent risk management activities across our uncontracted assets.

The revised AFFO range is expected to be between \$950 million and \$1.1 billion, a significant increase from original guidance due to the favorable tax impacts and the newly acquired assets. Sustaining capital is now forecast between \$215 million and \$245 million, covering over 40 planned outages. These revisions reinforce our confidence in the strategy and our ability to deliver strong financial performance.

With that, I will hand it back to Avik to conclude the call.

**Avik Dey**

Thanks, Sandra. To recap, the transformation of our business has created a more resilient, diversified and growth-oriented platform with one of the most efficient natural gas fleets in North America. Our ability to operate safely, efficiently and economically is what distinguishes us from our peers.

As we look forward, we have multiple ways to win from both organic and inorganic growth perspective. Our business is comprised of a young and efficient fleet strategically positioned in markets with strong fundamentals. We have a proven ability to deliver rooted in disciplined capital allocation and a strong balance sheet, which has driven our compelling 10-year total shareholder returns of approximately 15% per year.

We are a leading North American independent power producer positioned to capture value in markets that are expanding. We are excited about the future and the opportunities we see unfolding in this sector.

Before we start Q&A, I'm pleased to announce that we will be hosting our 2025 Investor Day event on December 9&10 in Toronto. We will provide more details in due course. Capital Power's leadership team is excited to connect with our investors at this event.

We appreciate your continued support of our business. I will now hand it over to the operator to start Q&A. Thank you.

**Operator**

(Operator Instructions)

Our first question coming from the line of Robert Hope with Scotiabank. Your line is now open.

**Robert Hope**

Morning everyone. Just regarding the Genesee commentary on the data centers, they're not pursuing a smaller

opportunity there. Are you able to monetize your allocation there? And as part of that, can you make a contingent that it is included with some sort of PPA with the eventual buildout there? And I guess secondly, how should we think about kind of the timing of Phase II there?

**Avik Dey**

Hi Rob, thanks. Let me just start by saying our business in Alberta is Genesee and Genesee is Capital Power. If I was to characterize our Alberta business, I would say two things. It's resilient and it's positioned for growth when growth comes to Alberta.

And the slide showed just in terms of our ability to capitalize on lower prices while increasing spark spread. Why that's important for this data center conversation? We started on this data center journey two years ago in the U.S. We've been incredibly fortunate that we've been able to learn from our partners amongst data center providers, hyper-scalers, of what's required to build hyper data centers. And so that as a preamble, we have incredible flexibility on the Genesee site.

As a leading generator in Alberta, our core business is to provide power. And so with this Phase I we do expect to be able to monetize our capacity by providing power to other data center projects because that's our role in the province and thereby actually preserving optionality on our site.

Our physical site at Genesee is incredibly advantaged for a large hyper data center. We chose not to use that 375 megawatts for a smaller data center project because our site has the advantage of redundant access to fiber, which is critical for a large data center.

Our site has access to transmission and distribution that would require no bulk system upgrades thereby reducing costs for power for Albertans. And so preserving that optionality was important. But make no mistake, we will be a participant because we are a preeminent generator in the province. And those data center projects that require generation partners through PPAs, we will likely be a player there. So hopefully, that answers the question.

But it's an important positioning point for us because for us, data centers are a new customer for our generation capacity on both sides of the border. In Alberta, it's unique because we happen to have a very unique physical site.

**Robert Hope**

Right. Appreciate that.

And then maybe just switch gears. There's a lot going on in the organization with integration of PJM and as well as data centers. When we think about incremental M&A, do you think you have enough horsepower to focus on transacting in the near term? And what does that market look like?

**Avik Dey**

Just in PJM or more broadly?.

**Robert Hope**

More broadly?

**Avik Dey**

Look, I think we have a 15-year track record of acquiring plants, integrating them, optimizing them, finding up rates and expansions. Nothing has changed. This journey for us in terms of expansion, we identified this as an opportunity at our January 2024 Investor Day and we've executed against it.

I made this comment to our team this week in my career, having been a serial acquirer and investor in assets and

companies, I've never been involved in a transaction where we announced financing closed the transaction of this size, all in the same quarter. So our ability to execute, I think is well established. In terms of forward opportunity, we're continuing to see inbounds, both bilateral and auctions.

And I think what's really separating us is our ability to execute and operate efficiently and safely because what's underpinning the opportunity to acquire assets today is two things. The relative are between the cost to purchase these assets and what the cost of new entry is continues to widen.

But to be able to capture that value, you need to be able to come in, take ownership of these assets and steward operational efficiencies, uprates, expansions and re-contracting and the broader universe of investors does not currently. It's not to say they can't build it but not -- they don't currently have the same capability and capacity, i.e., the people to go execute that. So we feel pretty good about the acquisition pipeline, the expansion pipeline, the re-contracting pipeline. All of that continues to get more favorable for us as a company.

**Operator**

Our next question coming from the line of Julien Dumoulin-Smith with Jefferies.

**Tanner James**

This is Tanner on for Julian.

So thank you for your commentary on the re-contracting opportunity. Just a follow-up to that. Has the tenor of conversations with existing customers at all shifted given the recent inflationary data points for electricity prices?

I know last quarter, Avik, you mentioned you're always balancing options and perhaps in the event you can't reach agreements on commercial terms, you could weigh options for expansion or collocation. Has that line of thinking evolved?

**Avik Dey**

It has evolved only from the standpoint that we're seeing more interest in re-contracting and more parties coming to the table at our different facilities. But the context that's changing is we're able to have more comprehensive conversations around what a re-contracting looks like whether it's term, it's pricing, it's how do we talk about further partnerships with potential off takers.

How do we parlay those conversations into broader discussions, whether it's through expansions or upgrade projects? So I think the tailwinds of increasing demand, reducing reliability and the importance of addressing near-term grid firming requirements is opening up a broader opportunity set for re-contracting. All of that is subject to utilities and their IRPs and most importantly, us having strong working relationships with those utilities and load-serving entities, but we're excited about the opportunity set.

We are not in a position to announce something now but I would say things are progressing and we continue -- we're having more conversations and they're moving forward in a positive direction.

**Tanner James**

Great. Switching gears here.

On the PJM acquisition, now that you have the PJM assets in the portfolio, you've had a better look at them. Are there further opportunities for upside to

the accretion figures you initially provided?

Perhaps specifically here kind of given the age and the composition of Rolling Hills, could there be some opportunity for some form of optimization or improvement relative to your initial expectations?

**Sandra Haskins**

Yes. Thanks for the question, Tanner. Yes. What we're seeing right now is having on the assets for just over six weeks is that they are performing in line with business case currently. But as we noted at the time of the acquisition is that we do see the ability for us to optimize and improve and then be able to do upgrades on the site as well.

So while nothing there is scheduled to occur in the immediate term here. We do expect that there will be the same opportunities with those assets as what we saw with other acquisitions, where we're able to just find some improvements and increase the accretion on those.

And when we think about capital allocation to operate expansions, whatnot, we go into 2026 and the integration continues to go extremely well with these assets is that the current development projects now that repowering is done, Halkirk 2 and our solar projects in Ontario operates is that we're going into 2026, with the expectation of having over \$1 billion of discretionary cash flow that we'll be able to deploy to uprates to acquisitions to expansion.

So with that and leveraging that up allows us to do \$2 billion in growth opportunities next year. without even accessing the equity market. So expect that there's a lot of opportunity for us over the next 18 months to announce highly accretive growth initiatives.



**Operator**

Our next question is coming from the line of Mark Jarvi with CIBC.

**Mark Jarvi**

And in terms of, I think you mentioned you could provide power to other data center operators. How do you balance that in terms of maybe locking in some offtake versus keeping the optionality open for a bigger gigawatt type opportunity at Genesee?

**Avik Dey**

Great question. There's 1,200 megawatts that was accounted for by the AESO as available for generation for large loads starting in 2027. That does not include the capacity that we currently have installed at Genesee that's above the 466 MSCC limit.

So it goes back to the original point I made around resilience and position for growth in Alberta. We, as a large generator with the most efficient and largest power plant in Alberta, are in the middle of providing critical baseload power and have the flexibility to contract that capacity. So in our view, given where we stand on T&D and the fact that there isn't a significant investment in T&D required to co-locate a data center at our site. We believe we've got significant flexibility to not just provide PPAs to others in the short to medium term but also to pursue the larger project on our site with a partner.

I think the key point in all of this is it's not about the data center. It's about providing power generation to customers. This has been our core competency for 15 years in all the markets that we play and predominantly in our home market, which is Alberta.

So for us, that was our calculus in making that decision to either elect, pursue more megawatts and the decision we've ultimately made, which is

we have an opportunity to provide a PPA and participate in Phase II just as a straight up power provider, which requires no capital on our behalf, just the monetization of megawatts while continuing to work with government and pursue what we think is -- would be a transformative project, not just for Alberta, but for the country.

**Mark Jarvi**

Just based on the Phase I allocations, your choice to not move forward right now and maybe a bit longer timeline at Genesee -- what sort of the confidence level that you'll actually see that 1,200 megawatts that excess generation be absorbed by data centers by 28,29 timeframe in Alberta?

**Avik Dey**

I can't comment on what others are doing. I think we've been in the midst of a number of commercial organizations and feel confident that others are going to be able to execute some smaller projects, which we welcome and think is great news for the province and the industry. And look, all new demand coming in and new industry coming in to create jobs and bring capital into Alberta as positive for the Alberta power industry. And with Genesee specifically is positive for consumers around electricity pricing which is where our focus is. So I think there will be projects done. We'll see where it comes out relative to the 1,200.

But our business in Alberta is resilient, and I go back to the point that 60% of our business is focus in thriving and growing U.S. markets. So as we've demonstrated in 2025, our business, we increased our spark spread amongst the 70% drop in price in 2025. And why that's important is it positions us well to provide offtakes to new customers in this province.

**Mark Jarvi**

Maybe just moving to the U.S. business, talked about re-contracting opportunities. We're also seeing on the gas supply, some of the producers, infrastructure firms become more involved on the power side of things. How do you think that's shaping in terms of gas supply, spark spread realization, are you thinking more longer term, if you lock in on the power supply that you sort of match that with gas supply under sort of active dialogue there?

**Avik Dey**

There's absolutely active dialogue across the entire gas to molecule to computed megabyte value chain. It's something that we're a huge advocate of because as we said in January 2024, this is all going to be about balanced energy solutions and how you bring that value chain together.

I think specifically around gas supply midstream contracts and firming up the infrastructure to provide gas generation capacity. That's more tied to IRP requests or around new generation capacity. We're not seeing that being as relevant to uprates and expansions. So if you look at our business, which is primarily focused on acquiring mid-merit CCGTs and peakers and finding ways to uprate, expand, recontract those the gas supply for the most part, because our historic strategy for 15 years has been going where there's firm gas supply going where there's existing T&D it's less of a concern in the plants that we're targeting.

But I think it's going to be a critical component to the broader ecosystem as it develops. Mid-streamers are going to have to be part of the conversation for new build upstream companies are going to have to be part of the conversation as we continue to look at new builds and utilities are considering that right now. They're looking at their

IRPs and trying to firm up infrastructure build-out over the next decade. It's a critical point. If that's the conversations that are happening amongst load-serving entities and RTOs right now.

**Operator**

And our next question coming from the line of Maurice Choy with RBC Capital Markets.

**Maurice Choy**

Just wanted to come back to the Alberta data center theme here. It's clear that Phase II is a focus for you and your stock and you previously wrote that there were things in Phase I that were suboptimal. When you look at Phase II, what tangibly do you think needs to be changed for your gigawatt scale data center opportunities to materialize?

**Avik Dey**

Maurice, thanks for the question. I think Phase II is really going to be dependent upon two things.

One, how much capacity remains available from Phase I to be discussed in Phase II because Phase II will really be a conversation around what the glide path is to installed capacity. Phase I is where data centers and data center providers are going to have to put up a deposit to execute projects but the long-term opportunity is how do we create an ecosystem that allows for new generation build and large-scale data centers to be installed and built in the province.

Why we are so focused on our site as a hyper data center is all the ingredients exist for the customer at the end of the day this opportunity only exists because it's an economic one with access to market in a timely fashion. It's not a business we can create without creating the economic conditions for those customers to come in at scale and for

duration for an investment that will be in the tens of billions of dollars.

So, we will be an active participant in Phase II the government and the AESO has been clear that they in their allocation process that they thought the smaller allocations were the better way to go about it, we're supportive of that. By virtue of us participating the way we hope to participate, but it doesn't take our foot off the gas of advocacy for this 1,000 megawatt site. So whether it's Phase II or it's through further conversations and dialogue to identify a pathway for that 1,000 megawatt site we'll continue down that path. And I think it's important also to recognize that we are not a data center provider.

We're not in the data center business. what we're trying to do to what we're trying to do is firm up bringing in new demand for the market in Alberta, whether it's on our site or someone else's we believe that having these large sites is in the best interest of all market participants.

#### **Maurice Choy**

And maybe just a quick follow-up to that. I know the system operator is beginning its engagement on a long-term framework, perhaps later this year. Is it fair to say that given that timing any gigawatt-scale DC announcement you may make is possibly more of a mid-2026 onwards event?

#### **Avik Dey**

Well I think there's two there's different elements to this, Maurice.

I think the advantage Alberta has today and I've said this publicly and at conferences and multiple meetings with investors. The advantage Alberta has today is we have a pathway to a large data center that can be in service by 2028.

We've been incredibly fortunate with deep dialogue with a number of hyper-scalers and data center providers over the last two years as this business is maturing rapidly. And what's been clear to us is the market is not focused on in-service dates that are 2029, 2030, 2031. All of the attention of hyper-scalers and data center providers as it relates to AI-related compute, is laser-focused on 2027, 2028 and maybe first half of 2029. So that's why, for us, preserving the option value and continuing this advocacy is important because we've got a 12 gigawatt fleet across North America.

We're seeing this play out in different markets. And we believe the best play for us is to continue to advocate for a quick in-service date and because we've got the ingredients at Genesee to advocate for that. But again I would go back to the point in terms of materiality for us in our business, Alberta is resilient and it's positioned for this growth, whether it's our data centers or someone else's.

#### **Maurice Choy**

Understood. Maybe just to finish up on a strategy question.

In your prepared remarks, you mentioned that you continue to see opportunities to acquire generation capacity for significantly less cost than new build. There clearly are some more PGM assets out there today. So just your view as to what the gating factors are when assessing these opportunities. For example, how big do you see PJM being as a percentage of your portfolio? Or whether you need to see the thesis on Hummel and Rolling Hills play out before moving forward more?

#### **Avik Dey**

Look, I think as I've said before, our capital allocation process, we've been very clear around how we allocate

capital, what our return thresholds are that above all else is driving where we deploy capital.

We saw the strategic opportunity in PJM because of the market construct, the size of the market, the complexity of the market with 13 jurisdictions and then the tailwinds from multiple ways to win in terms of demand increase. That clearly has played out, and we've been fortunate in our ability to negotiate and close a bilateral transaction of scale in that market. We continue to see opportunities to grow there. But I would not say that we're sitting here saying PJM will be four gig or five gig.

We're sitting here saying, let's go find those opportunities of high-quality assets, young CCGTs with a good heat rate or peaker sites with significant optionality where they've got existing gas supply access to T&D and an opportunity for us to wholesale. That's what we're looking for. So as we've high-graded overtime I think we continue to see those opportunities in PJM, MISO and LIC. Obviously, we think the opportunity is getting better in PJM. The market signals there are excellent. But what's driving our capital allocation is going to be plant level economics in our outlook against delivering against three things: uprates, expansions and re-contracting. Simple.

#### **Operator**

Our next question coming from the line of Patrick Kenny with NBF.

#### **Patrick Kenny**

Avik, just back on the recent PJM capacity auction clearing above the price cap, do you still see a risk in the cap coming down over the next two to three auctions through '26? Or perhaps would you see would you have a bias towards the price cap continuing to move higher? And also, if you had an update on the unit at Rolling Hills

coming back online later this year and just how that facility is positioned to participate in future capacity auctions.

#### **Avik Dey**

Yes. Thanks for the question, Pat. Look, I think our answer hasn't changed from last quarter to this quarter in terms of our expectation for the PJM market.

Obviously this last auction coming out at the high end of the range was a surprise to many but I think the market signals from the last auction, the delay and what we're seeing on the demand side, certainly, as we said last year, we were comfortable with the bookends of the floor and the cap. And I think this auction demonstrated that that floor in the cap was reasonable. At this point, I don't expect to see a change in that range. I think we're in the same market construct of that \$175 million to \$325 million.

Now with respect to the second part of your question, whether it's to the mid or to the high mid to high, I would reaffirm where we were, like that midpoint when we gave our guidance on 5-year average, we think is reasonable when you parlay all of the market factors, design factors around what's happening in the market. We, on Rolling Hills I would say six weeks into closing, we continue to maintain the same schedule that we had. We've now had a chance to assess the plant on the opportunity set around it. Our balanced energy solution team has already put forward DC packages and are out to market on those -- so we feel pretty good about what our underwrite was.

I think when we announced the transaction, we said, look, it would take one to two quarters for us to figure out and quantify and qualify what the growth opportunity set at Rolling Hills was. So I'm not in a position to say definitively. We expect this level of how we'll

participate in auction versus offtake or future expansions, but all indications are things are looking favorable for us there.

**Patrick Kenny**

Okay. Great. I appreciate the update there. And then switching to operate.

**Avik Dey**

One last point I'd make on that, Pat, is we got to start early. I don't think we expected to be able to close in the same quarter we announced. So I think we've got a head start on integration versus our previous timelines and being able to frame up the opportunity set.

**Patrick Kenny**

Yes. Good point.

Then switching to Alberta power prices despite the small market remaining relatively weak here. It looks like the forward curve has at least rebounded somewhat recently. Not sure if that's solely a function of some of the REM design changes that were confirmed last month or if perhaps, you're seeing other market dynamics at play?

And then as a follow-up, if you can comment on whether or not the REM design changes increases your desire to continue to diversify your portfolio outside of Alberta? Or do these changes incentivize you to maintain your current exposure to the Alberta market?

**Avik Dey**

Yeah, thanks. So on the first part of your question on, I mean clearly, '26, '27, '28, we all saw the strip come up on the back of a large load allocation. So I think our view is that was the primary driver of pricing coming up, and we continue to look to ways to hedge out as we historically have in that market.

Our position on that on the market overall is on REM, we need clarity. So we do have concerns around locational marginal pricing and transmission rights. That continues to be a focus for us. We've provided our full submission on feedback to the government on that, which we'll highlight that, and that will ultimately become the specifics of our feedback will become public sometime next quarter. But I think the market broadly knows that that's a concern amongst generators.

In terms of our position on Alberta is we've got a resilient business. We've got the most efficient, largest gas plant in the province that's critical for baseload power we take that responsibility very seriously. It is a resilient portfolio that allows us to maximize and optimize the value that may go over the medium to long term. And so from a capital allocation perspective, as we've demonstrated, we're clearly directing our capital towards those markets that we can convert investment into megawatts produced quickly, efficiently and economically.

So for us, playing that arb of buying capacity at a much lower cost than the cost of new entry investing in it to operate, expand and we repower or recontract. That's where our focus is, which today means PJM, MISO and WAC. But for Alberta, it's we've got a very important business here it's very resilient because of the investment we made in repowering it, and it's well positioned for upside when new demand comes into this market.

But I would emphasize the point that we need to get through REM, we need to address some of the concerns that we and others have so that we can give clarity to the broader market on how you invest in new generation in Alberta. I think this ties back to the data center point. The data centers that will get built

in Alberta before 2029 will be one that leverage existing installed generation in the province because new generation can't be built until REM gets resolved.

**Patrick Kenny**

Yes. That makes sense.

What about on the U.S. renewable development front, so adding some horsepower with Roger coming on board, which is great. But with the sunset on U.S. tax credits, I'm wondering how that might change your 20% capital allocation target through 2029 at least until you have more clarity on government subsidies or on the flip side, does your decision not to pursue the phase I Alberta data center opportunity, perhaps open up a bit more dry powder to allocate towards U.S. renewables.

**Avik Dey**

I think Roger, our new Head of U.S. Renewables and Corporate Development joined in early June. We are going through an assessment of the opportunity set in front of us in the U.S. right now.

I think as I've said in past quarters, I think we see the opportunity as the bid-ask spread closes on renewables, in particular, on the operating asset side, that it could be a competitive market for us to participate in because we can leverage our expertise for repowering and development and contracting.

We have not seen that bid-ask spread close so for me, the question around renewables is really around can we hit our return thresholds or not and does it positively benefit shareholder value creation or not for us as a company. So I think that's something we'll have more clarity on between now and the end of the year. But I would say generally, where you have volatility in markets, it

generally creates opportunity for investors.

Where we have the advantage of understanding market structure being able to trade and originate short, medium and long term and the ability to develop and operate. It should bring compelling opportunities. But I think we've tremendously benefited over our history of being very disciplined around renewables. We didn't chase gigawatt installed gigawatts we only pursue projects that hit our return thresholds and that hasn't changed. So I can't comment today if our capital allocation will change or not because directionally, it could go either way depending on what the market affords us as opportunities.

If renewable, if operating renewable assets that are 12 to 14 years in average contract length that have good transmission and distribution access are miraculously trading at 8 times to 9 times, which is probably where I think they should trade. Given their margin relative on an EBITDA per KW basis relative to gas, then you could -- we might be a purchaser. So I've probably gone into more detail than you expected, but just that's a window into how I think about value.

**Patrick Kenny**

Okay. No. That's great. I appreciate it. I'll leave it there.

**Operator**

Our next question coming from the line of John Miller with TD Cowen.

**John Miller**

Maybe going back to your partner for Genesee, you've stressed the need for speed to market in this broader data center opportunity for the province. I just like some clarity on the timeline of your

partner. I appreciate you probably don't want to speak for them, but what timeline do they need for a 1 gigawatt facility a Genesee to remain viable?

Presumably, at some point, they'll look at flare and this 1 gigawatt opportunity doesn't have an unlimited expiry date.

Can you comment on that?

**Avik Dey**

Well I think the way to think about it, John, is it's a if we can't build capacity in North America, that timeline keeps extending. So next year, '28 becomes '29.

So long as the economic cost and our ability to bring something online within that 2- to 3-year timeframe, I think we'll continue to have that opportunity in Alberta. It's just the opportunity -- the risk is, is that other markets figure this out and provide incentives and make investments in infrastructure to facilitate large-scale investment. So it's not like there's a cliff in 2028. It's just those that can bring capacity on. And part of this issue is the following: when you're signing if you have 1 million square foot hyperdata center, those data centers are phased.

It's not like you go build a it's all modular and clusters. So it's not like you build a 1 million square foot haul and then you're piling in racks starting COD.

What happens is and what's required is the hyper-scaler requires the right to have access up to that total capacity or the commensurate power because on a rolling basis, they're ordering and procuring the chips and the racks to scale with the requirement.

So this is the chicken and the egg of the data center opportunity, which is if you need this requirement for scale, of 1,000

megawatts or 1 million square feet. You need to know that you've got the transmission and distribution and generation to meet that timeline and that ramp schedule. This is really all about the ramp and the guarantee for access to power and how you match capital and equipment coming in on a timely basis.

So I don't think it goes away in '28. It's just we have this advantage because of how much generation we, as the market participants have collectively installed and what access we have on the installed transmission and distribution infrastructure in the province.

**John Miller**

Okay. And maybe just apologies if this is repetitive, but just going back to the Phase II timelines you commented on that you're seeking to preserve your option value and continuing your advocacy there and advocating for a quick in-service date. Based on your conversations, with AESO and the government so far. What's your confidence level that Phase II could result in that relatively quick in-service date with the glide path that would be needed for something of a larger scale?

**Avik Dey**

I don't think I could answer that with a confidence interval. But what I would say is I think we all want the same thing here. In the conversations with government, yes, we agree, we disagreed on the allocation process for large loads in Phase I but I think all parties in this, whether it's the AESO or the utilities commission or the government more broadly are keen to bring this industry to the province. We have a different view on how that should be allocated but I think everyone is trying to work to the same end game here. And I will concede the AESO and the utilities, the utilities Ministry and the government are balancing multiple needs and considerations.

So we are looking at it through the lens of optimizing for ourselves and also to the benefit of consumers because of this advantage we have at Genesee. But I think everyone is keen to bring the industry here. So I'm optimistic, but we were on a timeline before this large load allocation that could have delivered at 27 or early '28. So now we've got to go back to the drawing board, not based on the technical requirements of the project. But in terms of negotiating how we get a customer access to co-locate a 1,000 megawatt site at Genesee.

**John Miller**

Okay. And maybe just apologies if I misheard this. A clarification on the allocation, which I think you may have said is about 370 megawatts. Are you not accepting it, so it goes back into the pool for other proponents or selling it to another party that you believe will best put it to work and bring that load to the province.

**Avik Dey**

What I would say at this point is we are looking to ensure that that load gets utilized. Our monetization of it will be providing power -- so we're keen to see the industry get going. So we're trying to be a constructive player within this Phase one process. The benefit to us will be providing power.

**John Miller**

Got it.

Okay. Maybe I'll just sneak one more in because you said new generation can't be built until the REM gets resolved. Just wondering about the clean electricity regulations, what kind of dialogue you've had there with government since we've had a change in leadership and how that plays into

your willingness to invest in gas in Canada currently.

**Avik Dey**

Look, I think for Alberta, the question mark is equally around REM and clean electricity regs. Federally, it's obviously clean electricity regs. So that constraint exists nationally for new gas generation. Our concerns remain the same on clean electricity regs. We support the notion of CER but we still have to see critical changes to the CER that allows for offsets that addresses emissions caps and specifically addresses end of life, end of prescribed life. So we have had conversations.

I think our current government understands what the constraints around CER are. But I think we'll see how and if that translates into a legislative change. But I think we've got an engaged and willing federal government that is listening and understanding what the concerns are, for sure.

**Operator**

(Operator Instructions)

Our next question coming from the line of Benjamin Pham with BMO.

**Benjamin Pham**

A couple of clarification questions, a lot has been asked on Phase I, Phase II. And so just a couple of ones for me. On the one gate that you're targeting is expectation you'll be facing that in over a number of years, you expected to pop in right away.

**Avik Dey**

Yes. Specifically for Alberta?

**Benjamin Pham**

That's right.

**Avik Dey**

It was always phased. I mean that's why I mentioned to John's question, like this



whole process on hyper data centers, not one of them is COD day one, 100% deliverable. It's always a ramp schedule that's negotiated on behalf of an in coordination with the customer and their requirements. So it's not like they're going out and buying half a million Nvidia chips, all for delivery for racks on day one. And each customer has different requirements based on location and use but it's a ramp that could be over two years, three years, four years, depending on what the customers' needs are.

So even in this -- and that's the same for actually all data centers pretty much.

**Benjamin Pham**

Okay.

So I guess theoretically, in a sense, you had some good visibility on the first phase this build 100 megawatts is more your lack of visibility on subsequent phases, what you needed to see.

**Avik Dey**

Correct.

**Benjamin Pham**

Okay. Then on Phase II then how competitive do you think it could materialize because there's a lot of large-scale projects in the queue, which I think 20 gigawatts now you give time for your competitors to catch up to you in a sense. But is really your key advantage here is really speed to market. Is that still your main primary benefit?

**Avik Dey**

So if we are successful, there will be space for many projects. That's the objective here from a market perspective. the scale requirements for AI and what's going to be required for inference computing, quantum computing, cloud and edge computing

to support that inference computing that rising tide will lift all boats.

We are not concerned about other large projects because ultimately, location, location and location. The cheapest quickest one will get built first. And we, today believe that's our site because of largely transmission and distribution and the way the fiber is laid out in Alberta to be able to meet redundancy requirements. But that could be different two years from now but great. Someone builds a 1,000-megawatt center and it's not at Genesee and they can do it before us or within the timeframe, I mean that ultimately benefits us. But the long-term growth of this business is going to be predicated on building new generation alongside that new capacity.

So this is why we come back to this point that where Capital Power has built and established generation with capacity and a T&D connect while we're going through this REM process, our project is one that can be underwritten and we can get shovels in the ground for a customer while REM is getting sorted.

**Operator**

And I'm showing no further questions in queue at this time. I will now turn the call back over to Roy Arthur for any closing remarks.

**Roy Arthur**

There are no more questions. This will conclude our conference call. Thank you for joining us and for your interest in Capital Power. Today's presentation and webcast will be made available on our website. We hope you have a great day.

**Operator**

This concludes today's conference.  
Thank you for your participation. You  
may now disconnect.